

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 EB-11 CIEP-02 TRSE-00 STR-08 OMB-01

CEA-02 FEA-02 SCI-06 INT-08 COME-00 NIC-01 DRC-01

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R 261552Z APR 74

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 8312

INFO AMEMBASSY BELGRADE

USMISSION BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

AMCONSUL ZAGREB

USMISSION EC BRUSSELS

USMISSION NATO

C O N F I D E N T I A L MOSCOW 6290

E. O. 11652: GDS

TAGS ENGR EFIN ETRD YU COMECON

SUBJ: POSSIBLE CEMA INTERNATIONAL INVESTMENT BANK

FINANCING FOR ADRIA PIPELINE

REF: MOSCOW 6170 (NOTAL)

1. ECONOMIST IN MOSCOW'S INSTITUTE FOR WORLD SOCIALIST
ECONOMY WITH LONG EXPERINEC IN CEMA MATTERS TOLD EMBASSY
OFFICEJ APRIL 26 THAT CONCLUSIO OF GENERAL AGREEMENT BETWEEN
YUGOSLAVIA AND CEMA INTERNATIONAL INVESTMENT BANK (IIB) WILL
ALMOST CERTAINLY RESULT INIIB FINANCING FOR ADRIA PIPELINE
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FROM YUGOSLAVIA TO CZHECHSLOVAKIA, HUNGARY AND POLAND. HE

NOTED THAT DURING VISIT OF IIB CHAIRMAN VOROB'YEV TO YUGOSLAVIA IN FALL OF 1973, VORIB'YEV HAD EXPLAINED TO YUGOSLAVS THAT IIB FINANCING FOR PIPELINE COULD NOT TAKE PLACE UNTIL YUGOSLAVIA SIGNED A GENERAL AGREEMENT WITH THE BANK IN MOSCOW. NOW AGREEMENT IS BEING CONCLUDED AND WAY IS OPEN. SOURCE DID NOT INDICATE AMOUNT OF IIB CREDIT BUT INSISTED THAT SIGNIFICANT PORTION WOULD BE IN HARD CURRENCY, HE ESTIMATED TOTAL COST OF PIPELINE AS ABOUT \$300 MILLION.

2. COMMENT: FINANCING OF ADRIA PIPELINE WOULD, AS FAR AS EMBASSY IS AWARE, CONSTITUTE FIRST CEMA FINANCING FOR PROJECT INVOLVING YUGOSLAVIA AND ALSO FIRST CEMA FINANCING FOR ANY PROJECT EXTENDING OUTSIDE TERRITORIAL LIMITS OF CEMA-MEMBER COUNTRIES. MAIN RULE FOR IIB PROJECT ELIGIBILITY IS THAT PROJECT BENEFIT SEVERAL CEMA COUNTRIES. IN THIS COASE POLAND, CZECHOSLOVAKIA AND HUNGARY WOULD BE DIRECT BENEFICIARIES. USSR WOULD ALSO BENEFIT SINCE NEW LINE WILL FACILITATE SHIPMENT OF MIDDLE EAST OIL TO EASTERN EUROPE, THEREBY RELIEVING USSR OF SOME OF BURDEN OF TAKING CARE OF MOST OF CEMA OIL REQUIREMENTS AT LPW, "FRATERNAL SOCIALIST PRICES." A LESS OBVIOUS BUT NO LESS IMPORTANT RESULT WOULD ALSO BE, IN OUR OPINION, ESTABLISHMENT OF ANOTHER LINK DRAWING YUGOSLAVIA CLOSER TO CEMA--DESPITE THE FACT THAT YUGOLSAVIA CONTINUES TO MAINTAIN ONLY OBSERVER STATUS. WE UNDERSTAND SOME FINANCING FROM WORLD BANK MAY ALSO HAVE BEEN REQUESTED BY YUGOSLAVS.

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